

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana

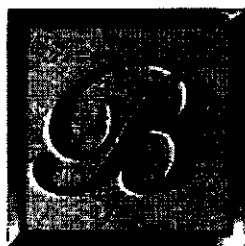
Annual Financial Report
For the Fiscal Year Ended
September 30, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-22-07

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Founded in 1978

BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
DeQuincy, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and major funds of City of DeQuincy, Louisiana, as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and major funds of the City of DeQuincy, Louisiana, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 20, 2007, on our consideration of City of DeQuincy, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Honorable Mayor and City Council
DeQuincy, Louisiana
Page 2

The management's discussion and analysis and budgetary comparison information on pages 3 through 7, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Broussard & Company

Lake Charles, Louisiana
June 20, 2007

CITY OF DEQUINCY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the City of DeQuincy, Louisiana (City), we offer readers of this financial statement an overview and analysis of the financial activities of the City. This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in the government's financial position, identify any material deviations from the approved budget documents, and identify individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently know facts. A comparative analysis will be provided in future years when prior year information is available. The MD&A should be read in conjunction with the financial statements that begin on page 9.

FINANCIAL HIGHLIGHTS

- Assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$9,219,994 (*net assets*). Of this amount, \$1,949,618 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$ 680,427.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$846,928, an increase of \$391,839 in comparison with the prior year. Approximately 100% of this total amount, \$846,928, is *available for spending* at the City's discretion (*unreserved fund balance*).
- At September 30, 2006, unreserved fund balance for the general fund was \$549,966, or 33% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

With the implementation of Governmental Accounting Standards Board Statement 34, a government's presentation of financial statements has been greatly changed. This is the first year that the City of DeQuincy, Louisiana has adopted the new format. The new statements focus on the government as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major fund) allow the reader to address relevant questions, broaden a basis for comparison (year to year or government to government) and should enhance the City's accountability.

Government-Wide Financial Statements

The government-wide financial statements (see Pages 10-11) are designed to be similar to private-sector business in that all governmental activities are consolidated into one column. These statements, for the first time, combine governmental fund's current financial resources with capital assets and long-term obligations.

The Balance Sheet (page 10) presents information on all the government's assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (page 11), presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

The governmental activities reflect the City's basic services include general government, public safety, highways and streets, sanitation, culture and recreation. These services are financed primarily with taxes and charges for services.

Fund Financial Statements

A fund is grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds, rather than generic fund types. The City has included all funds as major.

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Proprietary Funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City's proprietary funds are classified as enterprise funds. The enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization for gas, sewer, airport and revolving loans.

The basic enterprise fund financial statements are presented on pages 17-25 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found starting on page 26 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

Government-Wide Financial Analysis

The table below provides a summary view of the balance sheet as of September 30, 2006:

City of DeQuincy, Louisiana Condensed Balance Sheet

	Governmental Activities	Business-type Activities
Current and Other Assets	\$ 862,295	\$ 1,732,885
Capital Assets	<u>3,525,974</u>	<u>5,951,412</u>
Total Assets	<u>4,388,269</u>	<u>7,684,297</u>
Long-Term Liabilities Outstanding	594,487	1,817,936
Other Liabilities	<u>37,105</u>	<u>403,044</u>
Total Liabilities	<u>631,592</u>	<u>2,265,950</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	2,931,487	4,133,476
Restricted	26,727	178,686
Unrestricted	<u>798,463</u>	<u>1,151,155</u>
Total Net Assets	<u>\$ 3,756,677</u>	<u>\$ 5,463,317</u>

Approximately 77% of the City's net assets as of September 30, 2006, reflects the government's investment in capital assets (land, buildings, infrastructure, machinery and equipment) less any related outstanding debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Another 2% of the government's net assets are subject to external restrictions on how they may be used. The remaining 21% of net assets, referred to as unrestricted, may be used to meet the ongoing obligations of the government to citizens and creditors.

The table below provides a summary of the changes in net assets for the year ended September 30, 2006:

City of DeQuincy, Louisiana Condensed Statement of Changes in Net Assets

	Governmental Activities	Business- type Activities
Revenues:		
Program Revenue:		
Charges for Services	\$ 225,627	\$ 1,472,673
Operating Grants and Contributions		
Capital Grants and Contributions	394,910	400,102
General Revenues:		
Property Taxes	64,852	100,000
Sales and franchise taxes	935,761	508,773
Licenses and permits	138,717	-
Intergovernmental	17,683	-
Grants and Contributions Not Restricted to Specific Programs	250,000	-
Other	251,078	47,817
Transfers	222,155	(222,155)
Total Revenues	<u>\$2,500,783</u>	<u>\$ 2,307,210</u>

	Governmental Activities	Business-type Activities
Expenses:		
General Government	\$ 493,396	\$
Public Safety	1,004,932	
Highways and streets	348,112	
Sanitation	151,640	
Culture and Recreation	59,822	
Interest on Long-Term Debt	27,518	
Gas		1,233,009
Sewer		558,919
Airpark		250,218
Revolving loan fund		-
Total Expenses	2,085,420	2,042,146
Change in net assets	415,363	265,064
Net Assets 10/01/2004	3,341,314	5,198,253
Net Assets 09/30/2005	\$ 3,756,677	\$5,463,317

The City's net assets increased \$680,427 during the current fiscal year, primarily due to capital grants received.

Financial Analysis of City's Funds

Governmental Funds: The focus of the City's governmental funds are to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Parish's financing requirements. In particular, unreserved fund balance may as a serve useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$846,928, an increase of \$391,839 in comparison with the prior year. Approximately 100% of this total amount (\$846,928) constitutes unreserved fund balance, which is available for spending at the government's discretion. The general fund decreased \$8,069 to a total fund balance of \$419,746. Special revenue fund balances totaled \$35,343, a decrease of \$64,571 in comparison with the prior year.

Proprietary Funds: The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term information about financial status.

General Fund Budgetary Highlights

Actual revenues exceeded budgeted revenues by \$184,392.

Actual expenditures exceeded budgeted expenditures by \$243,373.

Capital Assets and Debt Administration

Capital Assets: The City's investment in capital assets as of September 30, 2006, amounts to \$9,477,386 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and infrastructure (drainage systems). The total decrease in the City's investment in capital assets for the current fiscal year was \$105,508.

Major capital asset events during the current fiscal year included the following:

- Police vehicles \$145,295.

City of DeQuincy, Louisiana			
Capital Assets (net of depreciation) as of September 30, 2006			
	Governmental Activities	Business-type Activities	Total
Land	\$	\$ 158,825	\$ 158,825
Buildings and systems	1,432,974	3,733,425	5,166,399
Improvements other than buildings	607,876	1,926,910	2,534,786
Autos and trucks	332,965	29,691	362,656
Machinery and equipment	196,006	29,011	225,017
Infrastructure	791,422	- 0 -	791,422
Construction in progress	164,731	73,550	238,281
Total	\$ 3,525,974	\$ 5,951,412	\$ 9,477,386

Long-Term Debt

At the end of the current fiscal year, the City had total long-term debt outstanding of \$2,412,423.

As of September 30, 2006, City bonds are unrated.

Economic Factors and Next Year's Budgets and Rates

The City's contribution rate for eligible employees of the Municipal Retirement System increased from 16% to 16.25%. The City's contribution rate for eligible employees of the Municipal Police Retirement System was 16.25%.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Tammy Pinder, City Clerk, City of DeQuincy, P.O. Box 968, DeQuincy, LA 70633.

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

**CITY OF DEQUINCY, LOUISIANA
BALANCE SHEET**

As of September 30, 2006

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 419,840	\$ 293,347	\$ 713,187
Investments	311,759	1,000,639	1,312,398
Accounts receivable, net of allowance for uncollectibles	103,969	140,746	244,715
Other assets		2,992	2,992
Restricted assets:			
Cash and cash equivalents	26,727	150,113	176,840
Investments	-	96,704	96,704
Capital assets, net of accumulated depreciation			
Land	-	158,825	158,825
Buildings	1,432,974	-	1,432,974
Improvements other than buildings	607,876	1,926,910	2,534,786
Gas Distribution system	-	2,585	2,585
Sewer system	-	3,730,840	3,730,840
Autos and trucks	332,965	29,691	362,656
Machinery and equipment	196,006	29,011	225,017
Infrastructure	791,422	-	791,422
Construction in progress	164,731	73,550	238,281
Notes receivable	-	48,344	48,344
Total assets	<u>\$ 4,388,269</u>	<u>\$ 7,684,297</u>	<u>\$ 12,072,566</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts payable	\$ 77,721	\$ 207,494	\$ 285,215
Accrued expenses	45,837	15,479	61,316
Customer deposits	-	93,618	93,618
Internal balances	(86,453)	86,453	-
Noncurrent liabilities:			
Due within one year	26,032	136,214	162,246
Due in more than one year	568,455	1,681,722	2,250,177
Total liabilities	<u>631,592</u>	<u>2,220,980</u>	<u>2,852,572</u>
Net assets:			
Invested in capital assets, net of related debt	2,931,487	4,133,476	7,064,963
Restricted for debt service/future loans	26,727	178,686	205,413
Unrestricted	798,463	1,151,155	1,949,618
Total net assets	<u>3,756,677</u>	<u>5,463,317</u>	<u>9,219,994</u>
Total liabilities and net assets	<u>\$ 4,388,269</u>	<u>\$ 7,684,297</u>	<u>\$ 12,072,566</u>

The accompanying notes are an integral part of the financial statements.

CITY OF DEQUINCY
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Primary government:	\$	\$	\$	\$	\$	\$
Governmental activities:						
General government	493,396	-	-	-	(493,396)	-
Public safety	1,004,932	56,525	-	394,910	(553,497)	-
Highways and streets	348,112	-	-	-	(348,112)	-
Sanitation	151,640	169,102	-	-	17,462	-
Culture and recreation	59,822	-	-	-	(59,822)	-
Interest on long-term debt	27,518	-	-	-	(27,518)	-
Total governmental activities	2,085,420	225,627	-	394,910	(1,464,883)	-
Business-type activities:						
Gas	1,233,009	1,286,866	-	-	-	53,857
Sewer	558,919	173,191	-	-	-	(385,728)
Airport	250,218	12,616	-	400,102	-	162,500
Revolving loan fund	-	-	-	-	-	-
Total business-type activities	2,042,146	1,472,673	-	400,102	(169,371)	(169,371)
Total primary government	4,127,566	1,698,300	-	795,012	(1,464,883)	(1,634,254)
General revenues:						
Property taxes					64,852	164,852
Sales and franchise taxes					935,761	1,444,534
Licenses and permits					138,717	138,717
Intergovernmental					17,683	17,683
Grants and contributions not restricted to specific programs					250,000	250,000
Unrestricted investment earnings					22,288	37,022
Other					228,790	10,795
Transfers					222,155	(222,155)
Total general revenues and transfers					1,880,246	434,435
Change in net assets					415,363	265,064
Net assets - beginning					3,341,314	5,198,253
Net assets - ending					3,756,677	5,463,317

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

**CITY OF DEQUINCY, LOUISIANA
GOVERNMENTAL FUNDS**

**Balance Sheet
As of September 30, 2006**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 299,114	\$ 120,961	\$ (235)	\$ 419,840
Investments	90,996	220,763	-	311,759
Accounts receivable	94,390	9,579	-	103,969
Due from other funds	95,212	-	-	95,212
Cash - restricted	26,727	-	-	26,727
Total assets	<u>\$ 606,439</u>	<u>\$ 351,303</u>	<u>\$ (235)</u>	<u>\$ 957,507</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts payable	\$ 36,891	\$ 40,830	\$ -	\$ 77,721
Accrued expenses	19,582	4,517	-	24,099
Due to other funds	-	8,759	-	8,759
Total liabilities	<u>56,473</u>	<u>54,106</u>	<u>-</u>	<u>110,579</u>
Fund balance:				
Reserved for debt service	-	-	-	-
Unreserved-undesignated	549,966	297,197	(235)	846,928
Total fund balance	<u>549,966</u>	<u>297,197</u>	<u>(235)</u>	<u>846,928</u>
Total liabilities and fund balance	<u>\$ 606,439</u>	<u>\$ 351,303</u>	<u>\$ (235)</u>	<u>\$ 957,507</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DEQUINCY, LOUISIANA
GOVERNMENTAL FUNDS**

**Balance Sheet
As of September 30, 2006**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 299,114	\$ 120,961	\$ (235)	\$ 419,840
Investments	90,996	220,763	-	311,759
Accounts receivable	94,390	9,579	-	103,969
Due from other funds	95,212	-	-	95,212
Cash - restricted	26,727	-	-	26,727
Total assets	<u>\$ 606,439</u>	<u>\$ 351,303</u>	<u>\$ (235)</u>	<u>\$ 957,507</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts payable	\$ 36,891	\$ 40,830	\$ -	\$ 77,721
Accrued expenses	19,582	4,517	-	24,099
Due to other funds	-	8,759	-	8,759
Total liabilities	<u>56,473</u>	<u>54,106</u>	<u>-</u>	<u>110,579</u>
Fund balance:				
Reserved for debt service	-	-	-	-
Unreserved-undesignated	549,966	297,197	(235)	846,928
Total fund balance	<u>549,966</u>	<u>297,197</u>	<u>(235)</u>	<u>846,928</u>
Total liabilities and fund balance	<u>\$ 606,439</u>	<u>\$ 351,303</u>	<u>\$ (235)</u>	<u>\$ 957,507</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DEQUINCY, LOUISIANA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE BALANCE SHEET - GOVERNMENT WIDE**

September 30, 2006

Total fund balance for governmental funds at September 30, 2006	\$ 846,928
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Total net assets reported for governmental activities in the balance sheet is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Capital assets, net of \$1,897,115 accumulated depreciation	3,525,974
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Other	-
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Long-term liabilities at September 30, 2006:

Bonds payable	(594,487)	
Compensated absences payable	<u>(21,738)</u>	<u>(616,225)</u>

Total net assets of governmental activities at September 30, 2006	\$ <u><u>3,756,677</u></u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF DEQUINCY, LOUISIANA
GOVERNMENTAL FUNDS**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2006**

	General	Special Revenue	Capital Projects	Total Governmental Funds
Revenues:				
Taxes	\$ 506,708	\$ 493,905	\$ -	\$ 1,000,613
Licenses and permits	138,717	-	-	138,717
Intergovernmental	17,683	-	-	17,683
Charges for services	169,102	-	-	169,102
Fines and forfeits	56,525	-	-	56,525
Miscellaneous	187,999	69,030	-	257,029
Interest earned	10,857	11,431	-	22,288
Grants	442,451	171,968	30,491	644,910
Total revenues	<u>1,530,042</u>	<u>746,334</u>	<u>30,491</u>	<u>2,306,867</u>
Expenditures:				
Current:				
General government	476,212	-	-	476,212
Public Safety	972,680	-	-	972,680
Sanitation	151,640	-	-	151,640
Highways and streets	-	442,984	-	442,984
Culture and recreation	24,688	-	-	24,688
Capital outlay	-	-	30,726	30,726
Debt Service:				
Principal	10,735	-	-	10,735
Interest	27,518	-	-	27,518
Total expenditures	<u>1,663,473</u>	<u>442,984</u>	<u>30,726</u>	<u>2,137,183</u>
Excess (deficiency) of revenues over expenditures	<u>(133,431)</u>	<u>303,350</u>	<u>(235)</u>	<u>169,684</u>
Other financing sources (uses):				
Bond proceeds	-	-	-	-
Operating transfers in	528,171	-	-	528,171
Operating transfers out	(264,520)	(41,496)	-	(306,016)
Total other financing sources (uses)	<u>263,651</u>	<u>(41,496)</u>	<u>-</u>	<u>222,155</u>
Net change in fund balances	<u>130,220</u>	<u>261,854</u>	<u>(235)</u>	<u>391,839</u>
Fund balance at beginning of year	<u>419,746</u>	<u>35,343</u>	<u>-</u>	<u>455,089</u>
Fund balance at end of year	<u>\$ 549,966</u>	<u>\$ 297,197</u>	<u>\$ (235)</u>	<u>\$ 846,928</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF DEQUINCY, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

September 30, 2006

Total net changes in fund balances at September 30, 2006 per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 391,839
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 317,615	
Depreciation expense for the year ended September 30, 2006	<u>(263,247)</u>	54,368

Governmental funds report bonded debt repayments as expenditures. However, this expenditure does not appear in the statement of activities since the payment is applied against the bond payable on the balance sheet	10,735
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Other	<u>(41,579)</u>
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Total changes in net assets at September 30, 2006 per Statement of Activities	\$ <u>415,363</u>
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CITY OF DEQUINCY, LOUISIANA
BALANCE SHEET
Proprietary Funds
Business-type Activities - Enterprise Funds
As of September 30, 2006

	<u>Gas Utility Revenue Fund</u>
<u>ASSETS</u>	
Current assets:	
Cash	\$ (4,929)
Investments	210,955
Notes receivable, current portion	-
Accounts receivable	101,092
Other assets	2,990
Due from other funds	-
Total current assets	<u>310,108</u>
Restricted assets-cash and investments:	
Customer deposits - investments	96,704
Reserve funds and contingency funds - cash	-
Total restricted assets	<u>96,704</u>
Property, plant and equipment:	
Land	11,000
Construction in progress	-
Buildings and improvements	1,736
Gas distribution system	581,557
Autos and trucks	114,974
Machinery and equipment	265,900
Sewer system	-
	<u>975,167</u>
Less accumulated depreciation	<u>(926,943)</u>
Net property, plant and equipment	<u>48,224</u>
Other assets:	
Notes receivable-due after one year	<u>-</u>
Total assets	<u>\$ 455,036</u>

The accompanying notes are an integral part of the financial statements.

<u>Sewer Utility Revenue Fund</u>	<u>Industrial Airpark Fund</u>	<u>Revolving Loan Fund</u>	<u>Total</u>
\$ 122,421	\$ 40,579	\$ 135,276	\$ 293,347
342,427	447,257	-	1,000,639
	18,833	5,472	24,305
39,654	-	-	140,746
-	2	-	2,992
148,622	-	-	148,622
<u>653,124</u>	<u>506,671</u>	<u>140,748</u>	<u>1,610,651</u>
-	-	-	96,704
150,113	-	-	150,113
<u>150,113</u>	<u>-</u>	<u>-</u>	<u>246,817</u>
-	147,825	-	158,825
-	73,550	-	73,550
-	3,426,285	-	3,428,021
-	-	-	581,557
61,399	-	-	176,373
-	11,067	-	276,967
4,530,405	-	-	4,530,405
<u>4,591,804</u>	<u>3,658,727</u>	<u>-</u>	<u>9,225,698</u>
<u>(838,929)</u>	<u>(1,508,414)</u>	<u>-</u>	<u>(3,274,286)</u>
<u>3,752,875</u>	<u>2,150,313</u>	<u>-</u>	<u>5,951,412</u>
-	-	24,039	24,039
<u>\$ 4,556,112</u>	<u>\$ 2,656,984</u>	<u>\$ 164,787</u>	<u>\$ 7,832,919</u>

Gas Utility
Revenue Fund

LIABILITIES AND NET ASSETS

Liabilities:

Current liabilities (payable from current assets):

Notes payable (due within one year)	\$ -
Accounts payable	47,814
Payroll liabilities	7,028
Other payables	-
Due to other funds	140,075
Total current liabilities (payable from current assets)	<u>194,917</u>

Current liabilities (payable from restricted assets):

Customer deposits	93,618
Bonds payable (due within one year)	-
Total current liabilities (payable from restricted assets)	<u>93,618</u>

Long-term liabilities:

Notes and bonds payable (due after one year)	-
Total liabilities	<u>288,535</u>

Net assets:

Invested in capital assets, net of related debt	48,224
Restricted for debt service/future loans	-
Unrestricted	118,277
Total net assets	<u>166,501</u>

Total liabilities and net assets	<u>\$ 455,036</u>
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<u>Sewer Utility Revenue Fund</u>	<u>Industrial Airpark Fund</u>	<u>Revolving Loan Fund</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -
26,550	133,130	-	207,494
8,451	-	-	15,479
-	-	-	-
-	95,000	-	235,075
<u>35,001</u>	<u>228,130</u>	<u>-</u>	<u>458,048</u>
-	-	-	93,618
<u>136,214</u>	<u>-</u>	<u>-</u>	<u>136,214</u>
<u>136,214</u>	<u>-</u>	<u>-</u>	<u>229,832</u>
<u>1,681,722</u>	<u>-</u>	<u>-</u>	<u>1,681,722</u>
<u>1,852,937</u>	<u>228,130</u>	<u>-</u>	<u>2,369,602</u>
1,934,939	2,150,313	-	4,133,476
13,899	-	164,787	178,686
754,337	278,541	-	1,151,155
<u>2,703,175</u>	<u>2,428,854</u>	<u>164,787</u>	<u>5,463,317</u>
<u>\$ 4,556,112</u>	<u>\$ 2,656,984</u>	<u>\$ 164,787</u>	<u>\$ 7,832,919</u>

CITY OF DEQUINCY, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Proprietary Funds
Business-type Activities - Enterprise Funds
For the Year Ended September 30, 2006

	Gas Utility Revenue Fund	Sewer Utility Revenue Fund	Industrial Airpark Fund	Revolving Loan Fund	Total
Operating revenues:					
Charges for services	\$ 1,286,866	\$ 173,191	\$ -	\$ -	\$ 1,460,057
Rent	-	-	12,616	-	12,616
Taxes	-	508,773	100,000	-	608,773
Interest earned	-	-	-	7,841	7,841
Loan recovery	-	-	-	-	-
Total operating revenues	<u>1,286,866</u>	<u>681,964</u>	<u>112,616</u>	<u>7,841</u>	<u>2,089,287</u>
Operating expenses:					
Personal services	82,970	131,534	-	-	214,504
Natural gas purchased	993,655	-	-	-	993,655
Materials and supplies	16,782	16,064	2,099	-	34,945
Heat, light, and power	1,173	-	7,057	-	8,230
Depreciation	7,013	126,252	112,854	-	246,119
Bad debts	25,589	11,077	-	-	36,666
Other services and charges	105,827	167,566	128,208	-	401,601
Total operating expenses	<u>1,233,009</u>	<u>452,493</u>	<u>250,218</u>	<u>-</u>	<u>1,935,720</u>
Operating income (loss)	<u>53,857</u>	<u>229,471</u>	<u>(137,602)</u>	<u>7,841</u>	<u>153,567</u>
Nonoperating revenues (expenses):					
Miscellaneous revenues and grants	73	2,881	400,102	-	403,056
Interest on investments	10,429	17,247	9,346	-	37,022
Interest and fiscal charges	-	(106,426)	-	-	(106,426)
Total nonoperating revenues (expenses)	<u>10,502</u>	<u>(86,298)</u>	<u>409,448</u>	<u>-</u>	<u>333,652</u>
Income (loss) before operating transfers	64,359	143,173	271,846	7,841	487,219
Transfers:					
Transfers from (to) other funds	<u>(49,936)</u>	<u>(99,869)</u>	<u>(72,350)</u>	<u>-</u>	<u>(222,155)</u>
Net income (loss)	14,423	43,304	199,496	7,841	265,064
Net assets at beginning of year	<u>152,078</u>	<u>2,659,871</u>	<u>2,229,358</u>	<u>156,946</u>	<u>5,198,253</u>
Net assets at end of year	<u>\$ 166,501</u>	<u>\$ 2,703,175</u>	<u>\$ 2,428,854</u>	<u>\$ 164,787</u>	<u>\$ 5,463,317</u>

The accompanying notes are an integral part of the financial statements.

CITY OF DEQUINCY, LOUISIANA
STATEMENT OF CASH FLOWS
Proprietary Funds
Business-type Activities - Enterprise Funds
For The Year Ended September 30, 2006

	<u>Gas Utility Revenue Fund</u>	<u>Sewer Utility Revenue Fund</u>
Cash Flows From Operating Activities:		
Receipts from customers and users	\$ 1,315,000	\$ 174,415
Payments to suppliers	(1,165,355)	(195,700)
Payments to employees	(82,970)	(131,534)
Other	-	508,773
Net Cash Provided (Used) by Operating Activities	<u>66,675</u>	<u>355,954</u>
Cash Flows from Noncapital Financing Activities:		
Miscellaneous revenues and grants	73	2,881
Operating transfers in (out)	(49,936)	(99,869)
(Decrease) in customer deposits	(311)	-
Advances from (to) other funds	3,824	3,221
Net Cash Provided by (used in) noncapital financing activities	<u>(46,350)</u>	<u>(93,767)</u>
Cash Flows From Investing Activities:		
Interest income	10,429	17,247
(Purchase) redemption of investments	(53,005)	77,845
Net Cash Provided (Used) by Investing Activities	<u>(42,576)</u>	<u>95,092</u>
Cash Flows From Capital and Related Financing Activities:		
Capital expenditures for plant and equipment	(8,506)	-
Principal payments on notes and revenue bonds	-	(127,710)
Interest paid	-	(106,426)
Other	(2,775)	450
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(11,281)</u>	<u>(233,686)</u>
Net Increase (Decrease) in Cash	<u>(33,532)</u>	<u>123,593</u>
Cash and Cash Equivalents - Beginning of Year	<u>28,603</u>	<u>148,941</u>
Cash and Cash Equivalents - End of Year	<u>\$ (4,929)</u>	<u>\$ 272,534</u>
Cash and Cash Equivalents:		
Cash - unrestricted	\$ (4,929)	\$ 122,421
Cash - restricted	-	150,113
	<u>\$ (4,929)</u>	<u>\$ 272,534</u>

The accompanying notes are an integral part of the financial statements.

<u>Industrial Airpark Fund</u>	<u>Revolving Loan Fund</u>	<u>Total</u>
\$ 12,616	\$ 24,141	\$ 1,526,172
(19,068)	-	(1,380,123)
-	-	(214,504)
-	-	508,773
<u>(6,452)</u>	<u>24,141</u>	<u>440,318</u>
500,102	-	503,056
(72,350)	-	(222,155)
-	-	(311)
-	-	7,045
<u>427,752</u>	<u>-</u>	<u>287,635</u>
9,346	-	37,022
(319,362)	-	(294,522)
<u>(310,016)</u>	<u>-</u>	<u>(257,500)</u>
(73,550)	-	(82,056)
-	-	(127,710)
-	-	(106,426)
<u>(4,147)</u>	<u>-</u>	<u>(6,472)</u>
<u>(77,697)</u>	<u>-</u>	<u>(322,664)</u>
33,587	24,141	147,789
<u>6,992</u>	<u>111,135</u>	<u>295,671</u>
<u>\$ 40,579</u>	<u>\$ 135,276</u>	<u>\$ 443,460</u>
\$ 40,579	135,276	\$ 293,347
-	-	150,113
<u>\$ 40,579</u>	<u>\$ 135,276</u>	<u>\$ 443,460</u>

**CITY OF DEQUINCY, LOUISIANA
STATEMENT OF CASH FLOWS**

For The Year Ended September 30, 2006

	<u>Gas Utility Revenue Fund</u>	<u>Sewer Utility Revenue Fund</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income	\$ 53,857	\$ 229,471
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	7,013	126,252
Provisions for bad debts	25,589	11,077
(Increase) decrease in receivables	28,134	1,224
(Increase) decrease in other assets	-	-
Increase (decrease) in accounts payable and other accrued expenses	<u>(47,918)</u>	<u>(12,070)</u>
Total Adjustments	<u>12,818</u>	<u>126,483</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 66,675</u>	<u>\$ 355,954</u>
Supplemental Disclosure:		
Cash paid for interest (net of amount capitalized)	<u>\$ -</u>	<u>\$ 106,426</u>

The accompanying notes are an integral part of the financial statements.

<u>Industrial Airpark Fund</u>	<u>Revolving Loan Fund</u>	<u>Total</u>
\$ (137,602)	\$ 7,841	\$ 153,567
112,854	-	246,119
-	-	36,666
-	16,300	45,658
-	-	-
<u>18,296</u>	<u>-</u>	<u>(41,692)</u>
<u>131,150</u>	<u>16,300</u>	<u>286,751</u>
<u>\$ (6,452)</u>	<u>\$ 24,141</u>	<u>\$ 440,318</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,426</u>

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements
September 30, 2006

Note 1 - Summary of Significant Accounting Policies

The City of DeQuincy, Louisiana was incorporated July 1, 1950 under the provisions of the Lawrson Act. The City operates under a Mayor-Council form of government, which took effect in 1991.

The accounting and reporting policies of the City of DeQuincy, Louisiana conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to guidance set forth in the *Louisiana Municipal Audit and Accounting Guide*, the General Accounting Office's *Standards for Audits of Governmental Organizations, Programs, Activities and Functions*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

The accompanying financial statements include the various departments, activities, and organizational units that are within the control and authority of the Mayor and City Council of the city of DeQuincy, Louisiana. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Consistent with this criteria, the city of DeQuincy, Louisiana has no component units as of September 30, 2006.

B. Basis of Presentation

The accompanying basic financial statements of the City of DeQuincy, Louisiana, have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments", issued June 1999. As a result, an entirely new financial presentation format has been implemented.

Government-Wide Financial Statements

The Balance Sheet and the Statement of Activities display information about the City as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements
September 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued):

through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities presents a comparison between direct expenses and program revenues for each of the functions of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of services offered by the City, and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The City uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain City functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The various funds of the City are classified into governmental and proprietary. The emphasis on fund financial statements is on major funds, each displayed on a separate column. The City of DeQuincy, Louisiana has included all funds as major.

General Fund - the General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This fund accounts for the receipt and use of proceeds of the City's one percent sales tax.

Capital Projects Funds - Capital Projects Funds account for all financial resources segregated for the acquisition or construction of major capital projects. This fund is to account for funds received and expenditures made for improvements to the downtown area.

Enterprise Fund - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City's enterprise funds consist of:

Gas Utility Revenue Fund - accounts for the provision of gas services.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements
September 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued):

Sewer Utility Fund – accounts for the provision of sewer services.

Industrial Airpark Fund – accounts for the provision of airpark services.

Revolving Loan Fund – accounts for monies received for the purpose of making loans to qualified businesses.

C. Basis of Accounting

The government – wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include 1) charges to customers for goods, services and privileges provided, 2) operating grants, 3) capital grants. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

All governmental funds are accounted for using a financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet and increases or decreases in net current assets are presented in the operating statements. These funds utilize the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Certain revenues such as sales tax, property tax, and charges for services are assessed and collected in such a manner that they can be accrued appropriately. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for principal and interest on general long-term debt which are recognized when due. Also, expenditures for accrued compensated absences are not recognized until they are payable from current available financial resources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, the unrestricted resources as they are needed.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued):

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private sector guidance.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Budget Policies and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 30, the City Clerk submits to the Mayor and Commissioners a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is conducted to obtain comments.
4. Prior to September 30, the budget is legally enacted through passage of an ordinance.
5. Any revisions that alter total expenditures of any fund must be approved by the Mayor and Town Council. Expenditures cannot legally exceed appropriations on a fund level.
6. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
7. All budgetary appropriations lapse at the end of each fiscal year.
8. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are as originally adopted, or as amended by the Mayor and Council.
9. Budgets are amended to remain in compliance with state law.

Encumbrance accounting is not used.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued):

E. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits and state and national banks' certificates of deposit.

Investments:

Louisiana state statutes authorize the City to invest in United States bonds, treasure notes, or certificates, or time certificates of deposit of state banks organized under the Laws of Louisiana and national banks having the principal office in the State of Louisiana, investment as stipulated in R.S. 39:1271, or any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State of Louisiana and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investments are stated at fair marked value.

F. Property Taxes

Property taxes levied in any one year are recognized as revenues of that year.

G. Bad Debts

Uncollectible amounts due for customers' utility receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. Management's evaluation of the allowance for bad debts is based on a review of all accounts and includes a consideration of past user history, any adverse situations that might affect the user's ability to repay, and current economic conditions. The need for an adjustment is considered at year end. Amounts charged-off that are subsequently recovered are recorded as income.

H. Fixed Assets

City of DeQuincy:

Capital assets, which include property, plant, equipment, and infrastructure assets (drainage systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued):

Property, plant and equipment of the City is depreciated using the straight line method over the following useful lives:

Building and improvements	10 - 40 years
Leasehold improvements	10 years
Gas distribution system	10 - 25 years
Autos and trucks	3 - 5 years
Machinery and equipment	5 - 10 years
Infrastructure	40 years

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Inventory

City of DeQuincy:

Purchases of various operating supplies are regarded as expenditures at the time of purchase, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year. Such amounts are not material in relation to total assets.

M. Sick Pay

Sick pay is based on the number of years of service and is carried as follows:

First 3 years	1 day per month up to 12 days per calendar year
More than 3 years	Up to 15 days for any calendar year

Salary paid for sick will be based on an eight hour work day. Sick leave can be carried forward to the succeeding year or years with no limit as to the amount accumulated. No employee shall be paid for accumulated leave when he resigns or is terminated. When an employee retires, he is to be paid for accumulated sick leave as follows:

Ten to nineteen years	30 days
Twenty to thirty years	60 days
Thirty years or more	90 days

At September 30, 2006, employees of the City have accumulated approximately \$33,000 in leave privileges, computed in accordance with GASB Statement 16.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2006

Note 2 - Cash and Cash Equivalents and Investments

Under Louisiana Revised Statutes 39:2955, the City may deposit funds in demand deposit accounts, interest bearing demand deposit accounts, money market accounts, and time certificate of deposits with state banks, organized under Louisiana Law and National Banks, having principal offices in Louisiana. Additionally, Louisiana statutes allow the City to invest in United States Treasury obligations, obligations issued or guaranteed by United States government or federal agencies, and mutual or trust funds registered with the Securities and Exchange Commission which have underlying investments consisting solely of and limited to the United States government or its agencies.

At September 30, 2006, the City had cash and cash equivalents (book balances) totaling \$ 713,187 all of which were in demand deposit accounts.

At September 30, 2006, the City had investments totaling \$ 1,409,102 of which \$ 377,113 is in certificates of deposit, \$ 809,940 in Louisiana Asset Management Pool (LAMP), and \$ 222,049 in U.S. Treasury securities.

Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial Credit Risk is the risk that in the event of bank failure, the City's deposits may not be returned. At September 30, 2006, the City had \$ 1,311,635 in demand deposits and certificates of deposit (bank balances before outstanding checks or deposits in transit). These deposits are secured from risk by \$ 546,382 of federal deposit insurance and \$ 765,253 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Even though the pledged securities are considered uncollateralized, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent bank has failed to pay deposited funds upon demand.

Interest Rate Risk is the risk that changes in the interest rate will adversely affect the fair value of the investment. At September 30, 2006, the City had investments in obligations of the Federal Home Loan Mortgage Corporation totaling \$ 222,049. These investments have maturity dates that range from 7 to 18 years in the future.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2006

Note 2 - Cash and Cash Equivalents and Investments (Continued)

Included in investments is \$809,940 in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool (see Summary of significant Accounting Policies). In accordance with GASB codification Section 150.165 the investment in LAMP at September 30, 2006, is not categorized in the three risk categories provided by GASB Codification Section 150.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1933. The corporation is governed by various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPAs. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to highly liquid to give its participants immediate access to their account balances.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2006

Note 2 - Cash and Cash Equivalents and Investments (Continued)

A reconciliation of cash and investments in as follows:

	Balance Sheet	Carrying Amount By Category
Balance sheet:		
Cash	\$ 713,187	\$ 713,187
Restricted asset	176,840	176,840
	<u>\$ 890,027</u>	<u>\$ 890,027</u>
Investments:		
Certificates of deposit	377,113	377,113
Louisiana Asset Management Pool, Inc.	809,940	-0-
U.S. Treasury securities	222,049	222,049
	<u>1,409,102</u>	<u>599,162</u>
	<u>\$ 2,299,129</u>	<u>\$ 1,489,189</u>

The market value is equal to the carrying amount of all investments.

Note 3 - Ad Valorem Taxes

For the year ended September 30, 2006, taxes of 6.07 mills were levied on property with assessed valuation totaling \$10,975,590 and were dedicated for general corporate purposes. Total taxes levied were \$66,072.

Property Taxes attach as an enforceable lien on property as of April 30. Taxes are levied on November 1.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2005

Note 4 - Capital Assets

A summary of changes in capital assets for the year ended September 30, 2006:

	Beginning of Year	Additions	Deletions	End of Year
Governmental Activities:				
Capital assets, not being depreciated:				
Construction in progress	<u>75,434</u>	<u>89,297</u>		<u>164,731</u>
Capital assets, being depreciated:				
Buildings	2,002,445			2,002,445
Improvements other than buildings	836,967	-		836,967
Autos and trucks	824,088	152,495		976,583
Machinery and equipment	587,705	64,009		651,714
Infrastructure	<u>1,042,042</u>	<u>11,854</u>		<u>1,053,896</u>
Total capital assets, being depreciated	<u>5,293,247</u>	<u>228,358</u>		<u>5,521,605</u>
Less accumulated depreciation for:				
Buildings	522,458	47,013		569,471
Improvements other than buildings	198,688	30,403		229,091
Autos and trucks	549,635	93,983		643,618
Machinery and equipment	390,010	65,698		455,708
Infrastructure	<u>236,324</u>	<u>26,150</u>		<u>262,474</u>
Total accumulated depreciation	<u>1,897,115</u>	<u>263,247</u>		<u>2,160,362</u>
Total capital assets, being depreciated, net	<u>3,396,132</u>			<u>3,361,243</u>
Governmental activities capital assets, net	<u>3,471,566</u>			<u>3,525,974</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	158,825			158,825
Construction in progress	<u>-0-</u>	<u>73,550</u>		<u>73,550</u>
Total capital assets, not being depreciated	<u>158,825</u>	<u>-0-</u>		<u>232,375</u>
Capital assets, being depreciated:				
Buildings	1,737			1,737
Improvements other than buildings	3,422,137	4,147		3,426,284
Gas distribution system	581,557			581,557
Sewer system	4,530,405			4,530,405
Autos and trucks	167,867	8,506		176,373
Machinery and equipment	<u>276,967</u>			<u>276,967</u>
Total capital assets, being depreciated	<u>8,980,670</u>	<u>12,653</u>		<u>8,993,323</u>

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2006

Note 4 - Capital Assets (Continued)

Less accumulated depreciation for:			
Buildings	1,737		1,737
Improvements other than buildings	1,387,136	112,238	1,499,374
Gas distribution system	578,814	158	578,972
Sewer system	682,327	117,238	799,565
Autos and trucks	135,783	10,899	146,682
Machinery and equipment	242,369	5,587	247,956
Total accumulated depreciation	3,028,166	246,120	3,274,286
Total capital assets, being depreciated, net	5,952,504	(233,467)	5,719,037
Business-type activities capital assets, net	6,111,329	(159,917)	5,951,412

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	14,284
Public safety	187,526
Highways and streets	30,738
Culture and recreation	30,699
Total depreciation expense – governmental activities	263,247
Business- type activities:	
Gas	7,013
Sewer	126,252
Airpark	112,855
Total depreciation expense – business – type activities	246,120

The construction in progress consists of the following projects:

	Total	Construction
	Budgeted	In Progress
Drainage Project	174,288	138,440
Downtown		26,291

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2006

Note 5 - Long-Term Debt

Summary of changes in long-term debt – City of DeQuincy:

	Balance 10-1-05	Additions	Retirements	Transfers	Balance 9-30-06
Governmental Activities:					
Rural Development bonds payable	\$ 605,715	\$ -	\$ 11,228	\$ -	\$594,487
Business-type Activities:					
					-
Sewer bonds	1,945,646		127,710		1,817,936
	<u>\$ 2,551,361</u>	<u>\$ -</u>	<u>\$178,088</u>	<u>\$ -</u>	<u>\$2,412,423</u>

Bonds and notes payable at September 30, 2005 are comprised of the following individual issues:

General obligations on debt:

Revenue bonds:

\$1,231,433 Utility Revenue Refunding Bonds Series 1998, single bond due in annual installments of \$438,861 to \$157,373 through 2001; interest at 7.20%. This bond was used to advance refund the \$1,257,856 – Utility Revenue Refunding Bonds of 4-11-89

\$ 603,572

\$619,000 Revenue Bonds, Series 2003 Rural Development Due in monthly installments of \$3,187.86 through May 2033; Interest at 4.5%. These funds were used to construct Public Safety building.

594,487

\$1,000,000 Sewer Revenue Bond, due in monthly installments of \$4,540, including interest at 4.5%. These funds were used to construct the sewer treatment plant

890,292

\$349,000 Sewer Revenue bond, due in monthly installments of \$1,584, including interest at 4.5%. These funds were used to make improvements to the West side sewer treatment facility

324,072

\$ 2,412,423

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2006

Note 5 - Long-Term Debt (Continued):

The annual requirements to amortize all bonds and notes outstanding, as of September 30, 2006 are as follows:

	Governmental	Activities	Business-type	Activities
Year ending				
<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	11,746	26,508	136,214	97,710
2008	12,285	25,969	150,267	89,004
2009	12,849	25,405	164,649	78,109
2010	12,297	25,958	179,389	66,843
2011	15,200	23,054	78,512	54,461
2012-2016	80,587	110,684	132,012	235,455
2017-2021	100,878	90,393	165,252	202,215
2022-2026	126,279	64,992	206,862	160,605
2027-2031	158,076	33,196	258,949	108,518
2032-2036	64,290	2,682	302,113	43,472
2037-2039	-	-	43,717	5,034
	594,487	428,841	1,817,936	1,141,426

Note 6 - Dedication of Proceeds and flow of Funds - 2% Sales and Use Tax

Proceeds of the 1% sales and use tax levied by the City of DeQuincy (2006 collections \$496,830) are dedicated as follows:

1. Provide funds for the maintenance of the city's streets.
2. Proceeds of the sales and use tax have been pledged and dedicated to the retirement of Street Public Improvement bonds of 1967.

Proceeds of an additional 1% sales and use tax levied by the City of DeQuincy, effective December 1, 1983 (2006 collections \$496,830) are dedicated as follows:

1. Proceeds of the sales and use tax have been pledged and dedicated to the retirement of bonds and interest coupons to be issued for sewer improvements of the City.
2. Provide funds for the maintenance of the City's sewer system.

Proceeds of a ½% sales and use tax levied by the City effective October 1, 1993 (2006 collections \$248,415) are dedicated as follows:

1. 58% of proceeds are dedicated to Police Department expenses.
2. 42% of proceeds are dedicated to Fire Department expenses.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2006

Note 7 - Individual Fund Interfund Receivable and Payable Balances

Such balances at September 30, 2006 were:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 95,212	\$ -
Special Revenue Funds:		
Sales Tax Fund		8,759
Enterprise Funds:		
Gas Utility Revenue Fund	-	140,075
Sewer Utility fund	148,622	-
Industrial Airpark Fund	-	95,000
	<u>\$ 243,834</u>	<u>\$ 243,834</u>

Note 8 - Gas Utility Revenue Fund

At September 30, 2006 there were approximately 1,573 customers being served by the gas distribution system. The total amount of gas billed during the year was \$1,286,866, resulting in an average monthly bill of \$68.17 per customer. The gas rates being charged by the City at September 30, 2006 are as follows:

Residential

Net monthly rate:

 \$ 4.00 minimum charge

 \$1.1923 per 100 cubic feet of gas used

Commercial

Net monthly rate:

 \$ 4.20 minimum charge

 \$1.2125 per 100 cubic feet of gas used

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2006

Note 9 - Retirement Commitments

Municipal Police Employees Retirement System

Plan Description. The City of DeQuincy contributes to the Municipal Police Employees' Retirement system, a cost-sharing multiple employer plan administered by the Municipal and State Police Employees' Retirement System of Louisiana. The Municipal Police Employees' Retirement system was established as of July 1, 1973 and amended by RS 33:2371 of the 1986 session to become Municipal and State Police Retirement System of Louisiana. The system is a state retirement system which was created to provide retirement benefits for full time municipal police officers in Louisiana and state police officers hired after January 1, 1987. The system is administered by a Board of Trustees of the Retirement Committee of the House of Representatives and the Chairman of the Senate Finance Committee, or their designees, to serve as voting ex-officio members of the board. Historical trend information for this plan is included in the separately issued report for the Municipal Employees' Retirement system for the period ended June 30, 2006.

Funding Policy. Plan members are required to contribute 7.5% of their annual covered salary and the City of DeQuincy is required to contribute at a statutorily determined rate. The current rates 16.25% of annual covered payroll. The contribution requirements of plan members and the City of DeQuincy are established and may be amended by the Board of Trustees. The City of DeQuincy's contributions to the Municipal Police Employees' Retirement System were \$54,062, \$65,978 and \$53,227 for the years ended September 30, 2006, 2005 and 2004, respectively, which equals the required contributions for each year.

Municipal Employees Retirement System

Plan Description. The City of DeQuincy contributes to the Municipal Employees' Retirement System of Louisiana, a cost-sharing multiple-employer plan administered by the Municipal Employees' Retirement System, State of Louisiana. The Municipal Employees' Retirement System of Louisiana was established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, town and cities within the state, which did not have their own retirement systems and which elected to become members of the system. The system is administered by a Board of Trustees composed of nine members, six of whom shall be active and contributing members of the system with at least ten years creditable service, elected by the members of the system; one of whom shall be the officio member during his tenure; one of whom shall be the Chairman of the Senate Retirement Committee; one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana. Act #569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees' Retirement System, effective on

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2006

Note 9 - Retirement Commitments (Continued):

June 30, 1970. Effective October 1, 1978, under Act #788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan "A" combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan "B" participates in only the original plan. The City of DeQuincy is a member of Plan "A" of the retirement system. Historical trend information for this plan is included in the separately issued report for the Municipal Employees' Retirement System for the period ended June 30, 2006.

Funding Policy. Plan members are required to contribute 9.25% of their annual covered salary and the City of DeQuincy is required to contribute at a statutorily determined rate. The current rate is 16% of annual covered payroll. The contribution requirements of plan members and the City of DeQuincy are established and may be amended by the Board of Trustees. The City of DeQuincy's contributions to the Municipal Employees' Retirement system of Louisiana were \$51,085, \$50,715, and \$44,576 for the years ended September 30, 2006, 2005 and 2004, respectively, which equals the required contributions for each year.

Note 10- Litigation

The City is involved litigation. Outside counsel for the City estimates that potential claims against the City, which are not covered by insurance, would not materially affect the financial statements of the City.

Note 11- Receivables

The receivables of \$244,716 at September 30, 2006, are as follows:

	General	Special Revenue	Gas Utility	Sewer	Total
Receivables:					
Taxes	55,367	9,579	-	-	64,946
Accounts	56,198	-	153,433	60,428	270,059
Intergovernmental	1,000	-	-	-	1,000
Gross receivables	112,565	9,579	153,433	60,428	336,005
Less: allowance for uncollectibles	(18,175)	-	(52,340)	(20,774)	(91,289)
Net	94,390	9,579	101,093	39,654	244,716
Aging of Accounts Receivable:					
Unbilled	28,049		44,304	15,065	87,418
0 - 30 days	9,114		32,186	12,987	54,287
30+	19,035		76,943	32,376	128,354
	56,198		153,433	60,428	270,059

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2006

Note 12- Compensation of Mayor and Council

Salaries paid to the Mayor and Council during the year are as follows:

Jerry Bell, Mayor	\$9,000
Lawrence Henagan, Mayor	3,000
Lawrence Henagan, Council	450
Denise Maddox	1,800
Tracy Brown	1,800
Andrea Coleman	1,800
Lynne Treme	1,800
Judy Landry	1,350

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2006

Note 14- Excess of Budgeted Revenues Over Actual Revenues/Other

Budgeted revenues exceeded actual revenues as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Fund – Revenues/Other	\$ 1,394,450	\$ 1,769,680	\$ 375,230
General Fund - Expenditures	\$ 1,399,353	\$ 1,777,749	\$ (378,396)

Note 15 – Sewer Customers and Rates

<u>Rates</u>	<u>Number of Customers</u>
\$8 - \$10 per month Residential	1,232
\$12 - \$384 per month Commercial	138

Note 16 – Schedule of Insurance

<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
Commercial Auto	\$ 197,366	11/07
Boiler	\$ 754,000	6/08
General Liability Aviation	\$ 1,000,000	2/08
Business Protection	\$ 2,148,300	7/08
General Liability	\$ 500,000	5/08

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF DEQUINCY, LOUISIANA
GENERAL FUND**

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2006**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 445,000	\$ 445,000	\$ 506,708	\$ 61,708
Licenses and permits	130,000	130,000	138,717	8,717
Intergovernmental	15,000	15,000	17,683	2,683
Charges for services	145,000	145,000	169,102	24,102
Fines and forfeits	120,000	120,000	56,525	(63,475)
Miscellaneous	28,650	28,650	187,999	159,349
Interest earned	3,500	3,500	10,857	7,357
Grants	458,500	458,500	442,451	(16,049)
Total revenues	<u>1,345,650</u>	<u>1,345,650</u>	<u>1,530,042</u>	<u>184,392</u>
Expenditures:				
Current:				
General government				
Personal services	90,000	90,000	113,133	(23,133)
Supplies	3,000	3,000	12,850	(9,850)
Other services and charges	363,400	363,400	320,263	43,137
Capital outlay	68,500	68,500	29,966	38,534
Total general government	<u>524,900</u>	<u>524,900</u>	<u>476,212</u>	<u>48,688</u>
Public Safety				
Police:				
Personal services	420,000	420,000	569,049	(149,049)
Supplies	10,000	10,000	3,576	6,424
Other services and charges	141,500	141,500	136,214	5,286
Capital outlay	15,000	15,000	166,125	(151,125)
Total police	<u>586,500</u>	<u>586,500</u>	<u>874,964</u>	<u>(288,464)</u>
Fire:				
Personal services	12,000	12,000	48,789	(36,789)
Supplies	1,000	1,000	2,148	(1,148)
Other services and charges	14,700	14,700	37,800	(23,100)
Capital outlay	122,000	122,000	8,979	113,021
Total fire	<u>149,700</u>	<u>149,700</u>	<u>97,716</u>	<u>51,984</u>
Total public safety	<u>\$ 736,200</u>	<u>\$ 736,200</u>	<u>\$ 972,680</u>	<u>\$ (236,480)</u>

**CITY OF DEQUINCY, LOUISIANA
GENERAL FUND**

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (cont'd)
For the Year Ended September 30, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
Sanitation:				
Other services and charges	\$ 145,000	\$ 145,000	\$ 151,640	\$ (6,640)
Culture and recreation:				
Personal services	-	-	-	-
Supplies	-	-	10,968	(10,968)
Other services and charges	14,000	14,000	13,720	280
Capital outlay	-	-	-	-
Total culture and recreation	14,000	14,000	24,688	(10,688)
Debt Service:				
Principal	-	-	10,735	(10,735)
Interest	-	-	27,518	(27,518)
Total debt service	-	-	38,253	(38,253)
Total expenditures	1,420,100	1,420,100	1,663,473	(243,373)
Excess (deficiency) of revenues over expenditures	(74,450)	(74,450)	(133,431)	(58,981)
Other financing sources (uses):				
Bond proceeds	-	-	-	-
Operating transfers in	75,000	75,000	528,171	453,171
Operating transfers out	-	-	(264,520)	(264,520)
Total other financing sources (uses)	75,000	75,000	263,651	188,651
Net change in fund balances	550	550	130,220	129,670
Fund balance at beginning of year	419,746	419,746	419,746	-
Prior period adjustment - correction of an error	-	-	-	-
Fund balance at end of year	\$ 420,296	\$ 420,296	\$ 549,966	\$ 129,670

The accompanying notes are an integral part of the financial statements.

**CITY OF DEQUINCY, LOUISIANA
SALES TAX SPECIAL REVENUE FUND**

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2006**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 325,000	\$ 325,000	\$ 493,905	\$ 168,905
Miscellaneous	13,300	13,300	69,030	55,730
Interest earned	2,500	2,500	11,431	8,931
Grants	220,000	220,000	171,968	(48,032)
Total revenues	<u>560,800</u>	<u>560,800</u>	<u>746,334</u>	<u>185,534</u>
Expenditures - highways and streets				
Personal services	130,000	130,000	176,971	(46,971)
Materials and supplies	15,000	15,000	31,181	(16,181)
Equipment maintenance	11,500	11,500	12,328	(828)
Other services and charges	160,450	160,450	125,488	34,962
Capital outlay	306,000	306,000	97,016	208,984
Total expenditures	<u>622,950</u>	<u>622,950</u>	<u>442,984</u>	<u>179,966</u>
Excess of revenues over expenditures	(62,150)	(62,150)	303,350	365,500
Other financing sources (uses):				
Operating transfers out			(41,496)	(41,496)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(41,496)</u>	<u>(41,496)</u>
Net change in fund balances	(62,150)	(62,150)	261,854	324,004
Fund balance at beginning of year	<u>35,343</u>	<u>35,343</u>	<u>35,343</u>	<u>-</u>
Fund balance at end of year	<u>\$ (26,807)</u>	<u>\$ (26,807)</u>	<u>\$ 297,197</u>	<u>\$ 324,004</u>

The accompanying notes are an integral part of the financial statements.

COMPLIANCE, INTERNAL CONTROL REPORTS



Founded in 1978

BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
City of DeQuincy
DeQuincy, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, and the major funds of the City of DeQuincy, Louisiana as of and for the year ended September 30, 2006, and have issued our report thereon dated June 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit we considered City of DeQuincy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of DeQuincy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of DeQuincy, Louisiana's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the City of DeQuincy's financial statements that is more than inconsequential will not be prevented or detected by the City of DeQuincy's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of DeQuincy's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2006-01, 2006-02, 2006-03 and 2006-05 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether financial statements of Beauregard Parish Police Jury are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs in item.

The City of DeQuincy's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of DeQuincy's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information of the City, management, and other state and federal audit agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Broussard & Company

Lake Charles, Louisiana
June 20, 2007

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Schedule of Findings and Questioned Costs
September 30, 2006

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Significant weaknesses identified

X Yes

 No

Material weaknesses

X Yes

 None reported

Noncompliance material to financial statements noted?

X Yes

 No

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Schedule of Findings and Questioned Costs (Continued)
September 30, 2006

SECTION II – FINANCIAL STATEMENT FINDINGS

2006-1 Segregation of Duties

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Response: We concur with this recommendation. Management has implemented supervision and review procedures to the extent possible.

2006-2 Accounts Payable

Condition: The City maintains its books and records on an accrual basis of accounting, except for the recording of accounts payable. The City relies on the audit firm to record accounts payable at year end. Under U. S. generally accepted auditing standards, we cannot be considered part of the City's internal control structure. The City's control structure does not include procedures to record or prevent a material misstatement from the lack of recording accounts payable.

Response: The City will start recording accounts payable on an interim basis. The City Clerk will also review the accounts payable monthly for accuracy and completeness.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Schedule of Findings and Questioned Costs (Continued)
September 30, 2006

2006-3 Accounts Receivable Reconciliation

Condition: Subsidiary accounts receivable ledgers are not being reconciled to general ledger control. This is a repeat finding.

Criteria: Effective internal control requires periodic (usually monthly) reconciliation.

Effect: Without periodic reconciliation, errors could go undetected.

Recommendation: Monthly reconciliations between detailed subsidiary journals and general ledger be performed and reviewed.

Response: The City agrees with the recommendation. Monthly reconciliations will be performed and reviewed by the appropriate personnel.

2006-4 Late Filing of Audit Report

Finding: The audited financial statements are required to be filed with the State of Louisiana Legislative Auditor within six months of the end of the fiscal year or March 31, 2007. The report was filed in August, 2007.

Cause: The City had problems generating year end information due to a problem with an update in their financial accounting software.

2006-5 Financial Statement Reporting

Finding: The City relies on the auditing firm to assist in the preparation of the external financial statements and related disclosures. Under U. S. generally accepted auditing standards, we cannot be considered part of the City's internal control structure and because of limitations on the accounting staff, the design of the City's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

2006-6 General Fund Budget

Finding: Total actual expenditures and other uses exceeded the total budgeted expenditures and other uses of the General Fund by \$507,893 or 36% which is a violation of LSA-RS 39:1310.

Response: The Council and administrative staff will closely monitor the budget compared to actual expenditures and make any necessary amendments.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Schedule of Prior Year Findings and Questioned Costs
September 30, 2005

05-1 Inadequate Segregation of Duties

Condition: This finding was a reportable condition relating to the entity's size and limited number of accounting personnel which made it impossible to achieve effective internal accounting control.

Recommendation: Since increasing staff size would not be cost effective, the auditor recommended that the City's management mitigate this weakness by its supervision and review procedures.

Current Status: The condition still exists, however, it has been mitigated by the review procedures.

05-2 Overdue Utility Receivables

Condition: A significant portion of utility receivables are not current.

Recommendation: A formal policy for delinquent accounts receivable should be adopted and enforced. It is recommended that a review of all accounts be made on a monthly basis and that proper actions be taken on delinquent accounts. Any accounts that are currently considered uncollectible should be written off.

Current Status: Accounts are being reviewed on an interim basis and proper actions have been taken on delinquent accounts.

05-3 Accounts Receivable Reconciliation

Condition: Subsidiary accounts receivable ledgers are not being reconciled to general ledger control.

Recommendation: Monthly reconciliations between detailed subsidiary journals and general ledger be performed and reviewed.

Current Status: See current year finding 2006-3.

05-4 Late Filing of Audit Report

Condition: The audited financial statements were filed with the State of Louisiana Legislative Auditor beyond the six month requirement of March 31, 2006.

Current Status: See current year finding 2006-4.